The Fate of the American Merchant Marine Is in the Balance

Adventures of War-Time Shipping Gone; Cold Economic Facts Now Control

By David S. Kennedy
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THE steamship man is now pinching himself to make sure that he is awake. He has had a wild party, but it is over. Aladdin's Lamp, which conjured up great fortunes during the war and immediately after the armistice, has disappeared.

Shipping has entered upon a new day, and the outlook is none too pleasing. The situation is now entirely different from the time when the public press was filled with reports of wealth made overnight. Ships no longer pay for themselves in one voyage. Officials who formerly made salaries of $10,000 a year and received $25,000 at Christmas for a bonus in many instances are without employment. Some of them are working for $40 a week.

The fact that conditions have changed is shown by the elimination of mule drivers and theatrical costumers from the business. During the war any one who could lay hands upon an old tub that would remain afloat until it was out of sight of land could reap fabulous profits. This attracted to the industry a class of men who knew nothing of the sea, who were not and never would be shipping men. The exploits of this class were published broadcast. In considering ocean transportation to-day it is necessary to remember that they have vanished, and that those who remain are for the most part the established companies.

The old companies also made great profits, part of which was disbursed in the form of salaries and bonuses. Many companies paid off debts accumulated in the years of depression before the war. For instance, the International Mercantile Marine Company, the great fleet which was the creation of J. P. Morgan, paid off a large proportion of the accrued dividends on preferred stock. Others put by a surplus for lean years—and found that it was needed to carry them through the eighteen months just passed. The remainder bought additional vessels at high prices, saw visions of still greater fleets, launched upon new trade routes and then found themselves in the crash that followed loaded with high-priced tonnage upon which they could not earn a reasonable income.

Many Won Big Stakes Only to Lose Them Again

In emphasizing the fact that the shipping industry to-day is not what it was two years ago it is necessary to call attention to those who took a gambler's chance, won big stakes, and lost when the dice went against them.

Take the case of the family of Mayers. During the war they ran a line of steamers between Canada and France, carrying horses, mules and supplies. They were popularly credited with amassing a fortune of $30,000,000, though this figure never was substantiated. They formed the United States Mail Steamship Company and chartered from the Shipping Board the best of the ex-German vessels seized during hostilities. For a time they operated what promised to develop into a permanent fleet of fast mail and passenger ships between New York and Europe. The deflation caught them. When the Shipping Board seized the ships and the books of the company were examined after bankruptcy proceedings there was evidence that the company was a house of cards. A large number of similar companies, formed by the family of Mayer, have gone the same route.

Another case was that of Christoffer Hannevig. According to the best available information he came to the United States from Norway early in the war with litle except a promoter's daring, a conviction that shipping was an El Dorado, and the determination to win a fortune. He got options on ships that were building and also on shipyards. As prices soared, following the ruthless submarine war, he pyramided his profits, bought more ships, obtained control of more shipyards, and organized new shipbuilding companies. It was estimated that at the height of his success he was worth between $25,000,000 and $30,000,000. But he did not allow for the inevitable reaction, and when depression set in his fortunes took the course of the Mayer family.

Victor S. Fox, a theatrical costumer, began business on a shoe string, and for a time had hopes of making himself a figure in the steamship world. He bought ships at 10 per cent cash and expected to pay off the remainder from current earnings. Unfortunately he went in on the ebb tide, which soon left him stranded on the sand.

The story of Morse is now before the public. According to allegations recently made in the Federal courts, C. W. Morse, his family and associates, formed numerous steamship companies, multiplied them with holding companies and at each turn of the wheel sold stock to the public. The cash that came into his companies, according to the charges, consisted in large measure of the money forwarded by obliging purchasers of shares. It is estimated by the government that at least $15,000,000 was obtained from that vast crowd whose ranks are recruited every minute.

Against those who were Wallingfords, the "fly-by-nights," there were a few who went into ocean transportation as a career, who invested their own money, built conservatively and expect to remain in the game if the economic situation permits them. In this number is W. A. Harriman, son of the late railroad magnate, who formed the United American Lines. This company has now become an organization to be reckoned with on the Atlantic, Gulf and Pacific. The most recent exploit showing a confidence in the future and a determination to succeed was the purchase of the liners Resolute and Reliance and their entrance into the New York-Hamburg service. The company has also come into possession of the two cargo motorships Californian and Missourian, utilizing the most modern form of marine propulsion, which will be placed in the Pacific Coast-European route.

There is still another class of steamship men, those who operated with varying fortunes under the American flag before the war. During hostilities they saved their money and when depression came they trimmed their sails accordingly. At present they are buying ships again, cautiously, relying upon recovery in the industry and also hopeful of government aid. In this number are such concerns as Moore & McCormick, the Luckenbach Line and others.

In considering the need for a merchant marine at present and in attempting to solve its problems the developments of the last seven years may be completely disregarded, except that the war demonstrated the lack of vessels suitable for use as naval auxiliaries. Opponents of the ship subsidy bill now pending in Congress are making capital out of the enormous profits earned during the war. Such arguments are entirely beside the point. Handicaps under which the American ships operate are matters to be met in the future.

Merchant ships carrying the foreign commerce of the country may be compared with the delivery wagons of a large department store. Assume, as an illustration, that the A department store was compelled to use wagons owned and run by the B department store and that the drivers for the latter were financially interested in developing business for their employers. There is no question that on certain occasions B's goods would receive better treatment than A's. The drivers would surely report to B any trade secrets which they might learn in their work.

The same situation on a much larger and more complicated scale applies to the merchant marine. One of the principal reasons why Great Britain to-day leads the world in ocean transportation is due to the fact that there is a close alliance between exporters, importers, marine insurance companies, banks, commercial enterprises and steamship companies. All work for the common good. Aside from the actual differences in operating costs between American and British ships, companies under the United States flag face a tremendous task in equaling the world-wide British organizations.

There is plenty of evidence to show that foreign steamship lines in the past have combined by unfair means to suppress American shipping. One of the most effective methods is that of granting deferred rebates. Under this plan a group of companies, controlling most of the ships on a certain trade route, will offer to shippers a rebate of 10 per cent on all freight money at the end of the year for an agreement to route all shipments over their lines. A single violation of this rule means loss of the rebate. There are cases on record where struggling American lines have been unable to break into this solid combination. The shipping act of 1916 effectually prevents the granting of deferred rebates in American trade, but it is extremely difficult to protect American steamship lines throughout the world.

Another instance was the immigration conference in effect before the war. Through this system foreign shipping companies allotted the immigrant traffic among themselves. There was no chance for an American line to participate. Only the rigid restriction of incoming aliens by United States law has prevented the revival of the conference since the war.

One of the best illustrations of the handicaps which American companies have to overcome was afforded several months ago in the Egyptian cotton case. When American companies endeavored to participate in the movement of Egyptian cotton to the United States they found that British lines had ironbound contracts with Alexandria shippers. No matter what rates or services were offered, American concerns could not get a pound of the shipments. At this point the Shipping Board stepped in. A rate war was started and there were threats of retaliation under American laws. The pressure was too great and the British lines yielded. An agreement was reached, dividing the traffic equally between the ship lines of the two countries.

A. D. Lasker, chairman of the Shipping Board, admits that he enjoys an occasional game of poker. For this reason he likes to describe the shipping situation in poker terms. He pictures the maritime nations of the world as seated around a table, their chips consisting of vessels, laws, finances and other resources. Before the war American companies had very few chips. They were unable to raise the ante, and their bluffs were easily called. In Mr. Lasker's opinion Congress should come to the aid of the merchant marine and enable the American industry to stay in the game.

A glance into history throws some light on the present situation. In the early days of the Republic Congress granted shipping full protection by discriminating duties and other legislative aids. Under this encouragement American clipper ships ruled the waves. They carried 90 per cent of our foreign commerce. The vessels were the equal of any in the world as auxiliary cruisers for use in time of war. In the generation preceding the Civil War government protection was withdrawn. American shipping declined. Then the development of our vast natural resources in the West drained our supplies of men and money, and the merchant marine dwindled until it carried only 9 per cent of our foreign commerce as recently as 1914.

American Lines Have Neither Experience Nor Resources

Great Britain pursued an opposite policy. In the days of Cromwell discriminatory legislation gave a tremendous impetus to shipping, which had been strengthened through naval wars with France and Spain. When American shipping dominated the seas the British government started a comprehensive system of subsidies, which was just becoming effective when the American government withdrew its assistance to its own fleet. In the course of fifty years British vessels bound the world in a network of steamship lines, established agencies and made valuable connections with all forms of industrial enterprises. This is the situation to-day. American lines do not have the experience or resources to establish themselves. They ask government aid, which has been extended to virtually all domestic industries.

It is not generally known that American private shipping has fallen to the point where it is carrying a smaller proportion of the foreign commerce of the country than before the war. Chairman Lasker recently testified before Congress that private vessels in trans-oceanic trade were transporting only 5 per cent, against 9 per cent in 1914. Nineteen per cent is handled in government steamers. Two years ago ships under the United States flag carried one-half of our trade. At present, leaving out bulk oil shipments from Mexico to the United States, American vessels take less than one-third.

The war gave us one of the world's greatest fleets, second only to that of Great Britain. This was obtained at a cost of $3,500,000,000. Under present conditions it is disappparing rapidly. Of the 1,400 modern steel vessels owned by the Shipping Board only 400 are in service. The remaining 1,000 are idle, rotting away, gradually becoming useless for all practical purposes. Imagine a fleet of a thousand vessels, the greatest merchant armada in existence, steadily passing into oblivion!

One of the relics of the war is the fleet of 300 wooden ships, constructed to bridge the Atlantic, which will never be put in operation. The Shipping Board cannot sell these vessels. Recent experience shows that it cannot destroy them unless some novel method is discovered. An attempt was made to do this by fire. Several ships were burned to the water's edge, but the hulks remained as menaces to navigation. If they are filled with cement and sunk—a costly plan—there is the ever present possibility that they may overturn and rise to the surface.

A brief summary will show the handicaps faced by American companies. The Shipping Board has demonstrated, after a thorough investigation, that under normal conditions American vessels must pay 30 per cent more in wages, 25 per cent more for subsistence of crews and about 20 per cent more for construction in local shipyards. The latter means an annual differential for interest, insurance and depreciation over similar charges on British vessels.

Crews Must Be Recruited In United States Ports

The higher wages are due to the fact that American ships must recruit their crews in United States ports, where they compete with the standards of pay on shore. The higher subsistence costs are caused partly by such legislation as the La Follette seamen's act and partly by the insistence of American seamen for better food and accommodations. The higher cost of construction in domestic shipyards is caused almost entirely by the greater wages paid to shipbuilding employes. American companies could buy ships built abroad, but that would not help in the maintenance of domestic shipyards.

The ship subsidy bill introduced in Congress with the support of President Harding, the Shipping Board and American shipping interests is designed to offset the differentials and to place vessels under the United States flag on an equality with their closest rival, the British merchant fleet.

Stated briefly, the subsidy bill is to provide a fund of about $50,000,000 a year, which is to replace the $50,000,000 now spent on government operation of ships by the board. This is to be derived from 10 per cent of the tariff revenues. A number of indirect aids are provided. The navigation laws are to be revised in some respects. The board is authorized to set aside a total of $125,000,000 from funds derived from the sale of ships, which may be loaned at interest as low as 2 per cent for the building of new and faster steamers. Shippers may deduct 5 per cent of their freight money, spent on American boats, from income taxes. The army transport service is to be abolished and commercial vessels used. The coastwise laws are to be extended to the Philippines. Rail and water transportation are to be co-ordinated. Shipments on American vessels are to have the sole benefit of preferential railroad rates.

In order that steamship companies may not, through these various aids, make unusual profits, the bill specifies that one-half of any net earnings above 10 per cent must be returned to the government until the full amount of the subsidy has been paid back. Furthermore, the Shipping Board is allowed wide discretionary powers in determining the best administration of government aid.

The adventures of war-time shipping, with the prospect of sudden fortunes, have gone. Cold economic facts now control. But the romance of the sea is not yet dead. It will remain so long as there are storms, icebergs, hidden shoals, derelicts, fires and other ocean perils. There is plenty of opportunity also for inventive genius. The last century saw the transition from sail to steam, from wood to iron. At present shipping is undergoing the change from steam to Diesel or internal combustion engines. The open question is whether American steamship companies will take their proper place in the future shipping of the world.

Some of the 1,000 Government Ships Now Idle

KEYSTONE PHOTO.

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This fleet of 164 Shipping Board steamers, in the Hudson River, near Peekskill, is a part of the American merchant marine now tied up because of low freight rates and lack of cargoes
Below is a photograph of Albert D. Lasker, chairman of the Shipping Board

Rulers of the Soviets Come to Grips with the Church in Russia

By Leo Pasvolsky

THE trial of the All-Russian Patriarch Tikhon, which opened several days ago before the Supreme Revolutionary Tribunal, may become a factor of far-reaching importance in the Russian developments of the near future. In a sense it is a test of strength between two diametrically opposed forces, the Soviet government and the hierarchy of the Orthodox Church. The government has long been looking for a favorable opportunity to force the issue as between itself and the Church, but it was not until the beginning of this year that such an opportunity presented itself and is now being utilized to the utmost by the government.

On February 26, 1922, the Central Executive Committee of Soviets issued a decree, whereby all precious metals and stones in the possession of the churches throughout Russia were ordered confiscated to provide means for the relief of the famine. As might have been expected, the decree aroused a great deal of resentment in the ecclesiastical circles in Russia. There is no doubt that the Soviet government expected this resentment and, most probably, welcomed it. The situation created by the decree gave the government an opportunity to determine, with the maximum degree of safety for itself, how much actual and active opposition there is in the Church toward the Soviet regime. It placed the leaders of the Church in a very difficult position, for the slightest opposition to the carrying out of the decree would obviously be interpreted with all the capacity for demagogy possessed by the Soviet leaders as refusal to aid in the relieving of the famine situation. At the same time it was perfectly clear that the reason for confiscation given in the decree could scarcely be the real one.

The confiscation decree came on top of a number of decrees issued during the months of December and January the purpose of which was to regulate and curtail ecclesiastical activities. The confiscated church valuables cannot possibly be turned to account for the relief of the famine districts; every Russian port is already clogged with grain imported from abroad, which cannot be moved into the starving areas because of the railroad situation. The addition of the confiscated gold, silver and precious stones to the stock of valuables held by the Soviet treasury might be of assistance to the Soviet government at some future time, but this has really very little to do with the famine situation. It seems likely, therefore, that the Soviet government simply decided that the present circumstances were too good an opportunity to miss in testing the temper and the power of the Church.

It is most interesting that up to now the Soviet government paid comparatively little attention to the Church. The Soviet constitution provided for a complete freedom of "religious and anti-religious propaganda" and left the whole question there. The government has been too busy with other things to pay much attention to the matter. And the Russian Church, separated from the state by the revolution of March, 1917, and reorganized with Patriarch Tikhon as its head, continued to exist with varying degrees of success and prosperity in various parts of the country.

The Communist agitators occasionally attacked religion, which they call a "poison for the people." From time to time some of the more extreme leaders raised their voices to attack the activities of the Church and to demand its persecution. But except during the first flush of Bolshevism there has been very little persecution of either the Church as such or of the priests.

There seems little doubt that in these conditions the Church developed a considerable and powerful organization. Just how this organization operates and what are its aims and purposes it is difficult to determine with any degree of accuracy and precision. It is also difficult to tell what is the actual relation between the parts of the hierarchy remaining in Russia and those ecclesiastics who have fled from the country and are now banded into powerful organizations in various parts of Europe, notably in Belgrade and Berlin. But the manner in which the opposition to the carrying out of the confiscation decree developed immediately after the actual work of confiscation was begun seems to indicate that in Russia herself the Patriarch and his associates wield a power which is, perhaps, greater than the Soviet leaders had anticipated when they embarked upon the policy represented by the decree.

Patriarch Urges Partial Enforcement of Decree

In response to the confiscation decree the Patriarch issued an appeal in which he authorized and directed the churches to contribute to the relief funds such articles of value as rings, smaller ornaments and gold and silver parts of old vessels, etc. But he announced definitely that the giving up of the holy vessels and of the ornaments used in the course of the regular services would be an act of blasphemy. The decree, on the other hand, demands the giving up of all the articles made of precious metals.

As the work of actual confiscation began it was accompanied by protests and opposition that in some instances became rather violent. In Moscow, for example, fourteen protests were received in one day from various churches. One of these protests read as follows:

"We, the undersigned, members of the Russian Orthodox Church, consider it our moral duty to protest against the decision adopted by the Central Executive Committee of Soviets on February 26 to confiscate all church valuables, not excluding such articles as are used in the performance of holy services. According to the teachings of the Church, such removal is punishable by anathema, which extends not only over those who take such articles dedicated to the Lord, but also over those who give them up.

"We beg the central executive committee to revise this decision which offends deeply the religious feelings of millions of believers and also goes counter to the principle of religious freedom by the Soviet Constitution.

"Eager to relieve te sufferings of our brethern who are dying of starvation, we are ready fo any material sacrifices; but we consider that we should be permitted to render such aid directly by opening feeding stations, hospitals, etc., under the general supervision of the committee of the United Parishes of the Russian Orthodox Church, accountable for its actions to the controlling organs of the government."

Th other letters were similar, and in some instances virtually in thought and terminology. The Soviet press, in discussing the fact of these protests, attributes the similaity of the text to the work of the central administration of the church, i. e., to the activities of the Patriarch.

Nevertheless the work of removing the valuables proceeded. It was found, however, that, there was not a scrap of gold, nor a single precious stone in any of the churches in the city. Only silver was found and removed. What happened to the articles made of gold and those adorned with precious stones no one knows. It is assumed, however, that these articles were hidden by persons in authority in the affairs of the church.

In the city of Smolensk the very first day on which the local authorities attempted to carry out the confiscation decree, an organized attempt was made to oppose this. In the morning an alarm was sounded in two of the larer churches of the city, as a result of which large crowds of people gathered in the marketplace. Several attempts at disorder had to be put down by armed force. The general attitude of those who are respensible for the agitation against the confiscation decree is that the valuables removed from the churches would not be used far famine relief at all, but for the payments due to Poland, for the equipment of the Red army and for the "enrichment of the commissars and the Jews."

These are some of the typical instances of the opposition aroused by the confiscation decree. There are other instances, however, in which the parishes and even the ecclesistical authorities comply quite readily with the requirements of the confiscation. For example, a group of clergymen in the Cyril Monastery issued an appeal, in which they states that " it is against the teachings of Christ to see churches ornamented with man valuables, while millions of people are starving to death."

Thus, whatever else may or may not be the result of the confiscation decree, it has already accomplished one very important object from the point of view of the communist leaders. It has brought an important split in the ranks of the Church. Considering the fact that the basis of this split is disagreement on so fundamental a question as to what constitutes an act of blasphemy in connection with the preservation of articles dedicated to church services, the split is likely to assume grievous proportions as far as the unity of the Church and the authority of its head, Patriarch Tikhon, are concerned. The net result would be a discrediting of the Church, which is one of the aims for which the Soviet leaders are striving.

And it is, no doubt, for the same purpose of discrediting the Church that the Soviet government has at last brought to trial the All-Russian Patriarch for counter-revolutionary activities. The decree concerning the confiscation of the church valuables and the attitude toward it of the Orthodox clergy have given the Soviet press and agitators an excellent opportunity for attack. And they are not wasting their chances.

Newspapers Picture Big Revolutionary Plot

The situation, as the official Soviet organs present it for their readers, is somewhat as follows: The clergy, both high and low, is to a large extent opposed to the complete carrying out of the confiscation decree. At the same time the high church authorities, with whom, it is asserted, are allied all the reactionary elements of the country, see in this situation an excellent opportunity for counter-revolutionary activities. The Soviet authorities have even announced that they have discovered a wide-spread plot, the purpose of which is the overthrow of the Soviet regime. An editorial in the "Moscow Pravda," of April 4, states the government's case as follows:

"The clique of the Princes of the Church continues its criminal work. The black feelers of their plot extend all over Russia and their agents are doing everything in their power to rouse the masses of their adherents against the Soviet government. In Smolensk they even made an attempt to rouse the workmen against the government. In a number of provinces the clergy, headed by the bishops, conducts a 'passive struggle' against the removal of the church valuables. Some of them, when asked whether or not they would give up the valuables, reply that they will do so as soon as they receive an authorization from their superiors, i. e., from the Patriarch. And in the meantime active agitation is conducted among the parishioners in an attempt to prepare them for open resistance to the act of confiscation."

The government accuses the leaders of the church of an attempt to plunge the country into a new civil war, but assures us, through its official organs, that there is not the slightest chance for the success of the plot. The reason for this, we are told, lies in the contention that the great masses of the Russian people will not follow the clergy. In order to strengthen its case the Soviet government asserts that the leadership of the Russian Church is closely affiliated with the Russian monarchist groups abroad and is really a tool in the hands of the latter. The "Pravda" editorial ends as follows:

"Our country has suffered too much to permit any longer such dastardly attempts to cause new upheavals. It is utterly impermissible that the worst part of the remnants of the former autocratic regime, having found refuge in Germany, should now be able to cause new bloodshed, acting through the church leaders. An end should be put with a firm and swift hand to this plot concocted by the clergy and the Black Hundred elements."

Whether or not the Soviet government's case rests on actual facts there seems no doubt that by tying up the confiscation decree incident with the spectre of a counter-revolution the Soviet leaders have once more put into use a weapon which they had found most effective in the handling of their internal situation in connection with every phase of the civil war. There are, however, aspects in the present situation which were not present in the others.

It is a historic fact that religious movements thrive on persecution. So much of history the Soviet leadership apparently remembered when it persistently foreboro from embarking upon an official policy of persecution of the Church. And it is most important to note also that at the present time the policy of persecution and the brunt of the propaganda is not directed against religion generally or even against the church hierarchy.

There seem to be two plausible explanations for this policy. It may be that under the able guidance of Patriarch Tikhon the Russian hierarchy has really grown into an important political factor, which would quite naturally be counter-revolutionary from the Soviet point of view and which very possibly has connections with the Russian reactionary groups abroad. If that is so and if the Soviet government really considers that the hierarchy begins to present a definite political menace, then the method of discrediting it which has been seized upon must be considered excellent strategy. The Patriarch and his associates were placed face to face with most difficult dilemma. Opposing the confiscation decree, they laid themselves open to most violent and plausible attacks and propaganda; but acquiescing to the decree they would find themselves discredited in the eyes of their own church-goers on quite different grounds. They chose the former course and gave the Soviet régime its opportunity for playing up the real or imaginary political danger likely to arise out of the activities of the church hierarchy.

Or it may be that the threads directing some of the recent activities of the Soviet government with regard to the higher Russian clergy are running back to the power represented by the Vatican. The Vatican's ambitions for penetration into Russia have become fairly well defined in the course of the past few months. And it is a most interesting coincidence—if it really is merely a coincidence—that during these last few months there has been an unprecedented abundance of rumors regarding a possible recognition of the Soviet government by the Holy See. It is a perfectly obvious fact, of course, that the two greatest obstacles in the way of the Vatican's penetration into Russia are the deeply ingrained, century-old veneration of the masses of the Russian people for traditional forms of church services and the natural opposition of the church hierarchy. The recent activities of the Soviet government strikes at both of these circumstances.